Decision ___________________

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Shell California Pipeline Company LLC for Expedited, Ex Parte Authorization to Remove the Bakersfield 14" Pipeline from Public Utility Service and to Cancel the Associated Tariff.	Application 05-05-017 (Filed May 20, 2005)

OPINION GRANTING REMOVAL OF A PIPELINE FROM PUBLIC UTILITY SERVICE

1. Summary

This decision authorizes Shell California Pipeline Company LLC (Shell of California) to remove from public utility service Pipeline #369 and Line Segment #370, its Bakersfield 14" Pipeline, and 18" Caliola to Coalinga pipeline segment, and six associated pump stations, as detailed in its application. Shell of California is also authorized to cancel its local tariff Cal. P.U.C. No. S-8 to reflect removal of the pipeline, line segment, and associated facilities from public utility service.

2. Background

Shell of California, a Delaware limited liability company qualified to transact business in California as a foreign limited liability company, is a common carrier intrastate oil pipeline company subject to the jurisdiction of this

Commission pursuant to Pub. Util. Code §§ 216 and 218.[1] Shell of California owns and operates several pipelines transporting crude oil, feedstock, gasoline, jet fuel, and other petroleum products in California. Its principal place of business is located at 20945 S. Wilmington Avenue, Carson CA 940810.

3. Request

Pursuant to Section 851 and Rule 35 of the Commission's Rules of Practice and Procedure, Shell of California seeks authority to remove its Pipeline #369 and Line Segment #370, and related facilities from public utility service. Pipeline # 369 consists of a 14" Bakersfield pipeline, running between the Bakersfield Pump Station (BPS) and the Caliola Station and Line Segment #370 consists of an 18" Caliola pipeline, running between the Caliola Station and the Coalinga Station.

The pipeline, approximately 120 miles long, is used to move crude oil from the Kern River production area to the Bakersfield Tank Farm, a proprietary facility owned by Shell Oil Products US (SOP US) where it is heated and pumped to BPS, the origination of the Pipeline. Intermediate pump stations along the pipeline are used to increase the temperature and pressure of the crude oil being transported and delivered to the Caliola Station. From the Caliola Station the crude oil is delivered through an 18" Caliola crude line to the Coalinga Tank Farm, another proprietary facility owned by SOP US. The crude oil is then stored at the Coalinga Tank Farm for eventual shipment north on the SOP US proprietary 20" Coalinga pipeline to the Avon pipeline.

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[1] All citations are to the Public Utilities Code unless otherwise indicated.

The pipeline was constructed and placed into service in 1936. The costs of this facility, excluding SOP US proprietary assets, was $10,414,357, and the total remaining undepreciated cost of the pipeline assets is $8,931,845.

Shell of California seeks to abandon from public utility service the pipeline and related facilities on the basis that it is not economical to continue to operate the pipeline. It explained that the pipeline is expensive to maintain because the pipeline runs through wet rural and agricultural lands, which leads to increasing corrosion rates. To maintain the pipeline, Shell of California must make internal inspections every 12 to 18 months, compared to every five years for a typical pipeline. In addition, four of the pump stations along the pipeline use heaters fueled by natural gas to maintain the viscosity of heavy crude being shipped, and contribute to poor air quality in the San Joaquin Valley, a designated Severe Non-Attainment Area. By removing the pipeline and related facilities from service, the emissions associated with the heaters will be eliminated and Shell of California will not be required to upgrade its pipeline to meet new emission standards that will take effect in June of 2005.

There is only one shipper using the pipeline, Shell Trading US Company (STUSCO). STUSCO, an affiliate of Shell of California, ships approximately 50,000 barrels per day through the pipeline. STUSCO has made arrangements to transport its crude oil through alternate pipelines, such as the Cross Valley Pipeline. STUSCO also supports removing Pipeline #369 and Line Segment #370 from public utility use, as detailed in its May 12, 2005 letter attached to the application as Exhibit 7. With STUSCO's arrangements to transport its crude oil through alternative pipelines, there is no current or projected use of Pipeline #369 and Line Segment #370. Accordingly, Shell of California seeks to remove the pipeline, line segment, and related facilities from service and to modify its tariff to show this change in status.

Consistent with good oil field practice, Shell of California has requested approval of the California State Fire Marshall (CSFM) to abandon the line. While the pipeline is being abandoned from public utility service, Shell of California currently expects to continue to own the pipeline and it will be designated as "Out of Service", as defined in, and for purposes of, the CSFM regulations.

Shell of California will decommission the pipeline system pursuant to CSFM standards and corresponding federal regulations (49 CFR 195.402(c) (10)), and Shell of California's internal standards, all of which are accepted good oil-field practice. As detailed in the application, the entire length of the pipeline will be drained of all crude oil using a nitrogen purging and pigging process. Each end of the pipeline will be "air-gapped". Then the piping, pumps and valves will be drained, the heaters decommissioned, the surge tanks cleaned and decommissioned, the electricity source disconnected, and the pump station isolated from the pipeline.

After the pipeline and related facilities are removed from public utility service, they will be maintained in accordance with the CSFM standard for Out of Service pipelines, the corresponding federal regulations, and Shell of California's internal standards. The maintenance plan includes a one-call monitoring system for the pipeline, maintenance of markers and records, right-of-way inspections and maintenance, continuing cathodic protection, continuing community awareness and damage prevention activities, and maintenance of life of facilities records.

4. Discussion

Exhibits attached to the application describe the pipeline closure in more detail. Notice of the proposed removal from public utility service has been served on other pipeline companies and refineries. Notice of the application appeared in the Commission's Daily Calendar of May 25, 2005.

Section 851 requires Commission authorization for the disposition of public utility facilities. The purpose of this and related sections is to enable the Commission, before any removal of public utility property is consummated, to review the situation and to take such action as the public interest may require.[2]

The proposed line abandonment here recognizes that Pipeline #369, Line Segment #370, and related facilities are no longer necessary for the company's pipeline service. No changes in existing services are proposed. There are no protests to this application, and the contemplated action appears to be noncontroversial.

The California Environmental Quality Act (CEQA) requires that we consider the environmental consequences of projects that are subject to our discretionary approval.[3]

The application requests that the Commission find that CEQA does not apply to the activity in question because it can be seen with certainty that there is no possibility that removal of the pipeline from public utility service and its abandonment in place will have a significant effect on the environment.

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[2] San Jose Water Co. (1916) 10 CRC 56.

[3] Cal. Pub. Resources Code §§ 21000, *et seq.*, § 21080.

In support of that request, the application indicates that the pipeline is located in rural and agricultural areas. Activity to remove the line from service and abandon it in place requires that the line be purged with nitrogen and cut and capped in certain locations. Further, the activity can take place only upon CSFM approval of a plan complying with its requirements to take a pipeline out of service and abandon the line. That plan must comply with standards for the process involved, as well as future maintenance and inspections. The pipeline will be left in place.

Commission environmental staff has confirmed with the CSFM's Office that its compliance requirements to remove a line from service and abandon a pipeline ensure avoidance of any potential significant effect on the environment as a result of the activity. The activity is thus exempt from CEQA review by the CSFM.[4]

Based on this information, we find that with approval and implementation of CSFM procedures and corresponding federal regulations for removal and abandonment of Pipeline #369 and Line Segment #370, it can be seen with certainty that the activity will not have a significant effect on the environment.

5. Category and Need for Hearing

In Resolution ALJ 176-3153, dated May 26, 2005, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were not necessary. Based on the record, we affirm

[4] June 8, 2005 environmental staff telephone confirmation with Emit Cooper of the CSFM's Lakewood Office.

that this is a ratesetting proceeding, and that hearings are not necessary. The application is granted subject to the terms and conditions set forth below.

6. Assignment of Proceeding

Dian M. Grueneich is the Assigned Commissioner and Michael J. Galvin is the assigned Administrative Law Judge in this proceeding.

7. Comments on Draft Decision

This is an uncontested matter in which the decision grants the relief requested. Therefore, the otherwise applicable 30-day period for public review and comment is being waived, pursuant to § 311(g) (2).

Findings of Fact

1. Notice of this application appeared in the Commission's Daily Calendar of May 25, 2005.

2. Shell of California seeks approval pursuant to Pub. Util. Code § 851 to remove its Pipeline #369, Line Segment #370, and related facilities from public utility service and to reflect the removal in its tariffs.

3. The grant of this application will not affect Shell of California's services of operations.

4. Removal from service and abandonment in place of Pipeline #369 and Line Segment #370 requires implementation of State Fire Marshal procedures for the activity as well as future maintenance and inspections of the line.

5. CSFM pipeline decommissioning procedures ensure the activity will not have a significant effect on the environment.

6. CEQA Guideline § 15061(b) (3) provides that a project is exempt from CEQA review if it can be seen with certainty that the activity will not have a significant effect on the environment.

7. There is no opposition to this application.

Conclusions of Law

1. The proposed removal of Shell of California's Pipeline #369, Line Segment #370, and related facilities from public utility service is not adverse to the public interest.

2. With implementation of State Fire Marshall requirements, removal of Pipeline #369 and Line Segment #370 from service and abandonment in place will not have a significant effect on the environment consistent with CEQA Guideline Section 15061(b) (3) and no CEQA review is required by this Commission.

3. This is a ratesetting proceeding and no hearing is necessary.

4. It can be seen with certainty that the proposed transfer will not have any adverse impact on the environment.

5. This application should be approved and become effective immediately because it is not adverse to the public interest.

O R D E R

IT IS ORDERED that:

1. Shell California Pipeline Company LLC (Shell of California) is authorized pursuant to Section 851 of the Public Utilities Code to remove its Bakersfield 14" Pipeline (pipeline #369), including an 18" segment (Line Segment #370) and six associated pump stations from public utility service and to cancel its Tariff No. S-8 to reflect removal of the pipeline and associated facilities from public utility service, as set forth in its application.

2. Physical activity to remove the pipeline identified in Ordering Paragraph 1 from public utility service and abandonment of the pipeline in place shall not begin until California State Fire Marshal approval has been granted.

3. Shell of California shall notify the Director of the Commission's Energy Division in writing of the closure of Pipeline #369 and Line Segment #370, as authorized herein, within 10 days of the date that closure is completed.

4. Shell of California shall make all books and records available for review and inspection upon Commission staff request.

5. The application is granted as set forth above and the authority granted shall expire if not exercised within one year of the effective date of this order.

6. Application 05-05-017 is closed.

This order is effective today.

Dated _____________________, at San Francisco, California.